‘REMITTANCES’ AND LABOR RECYCLING

Harvard’s Fascist Policy For the Americas

by Paul Gallagher

The publication of Harvard/Trilateral Commission “cultural warmonger” Samuel Huntington’s article in *Foreign Policy* magazine, which calls for a Clash of Civilizations between the “native” American population and its Hispanic immigrants (see article following), points to an underlying fascist economic policy in the Hemisphere, which has recently gone under the name of “immigration facilitation and workers’ remittances” in the international banking community.

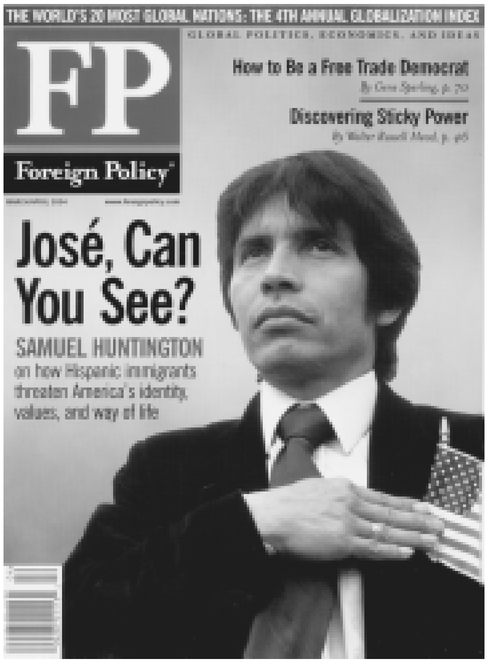
This policy is one which explicitly aims to block any tendency, in the countries of the Americas, to attempt an “FDR-style” policy of credit generation for large-scale infrastructure-project investments, as the way to confront economic collapse—Lyndon LaRouche’s policy. Instead, it ties these nations and their populations to the doomed American real-estate/consumer-spending bubble, trying thus to survive economic devastation in Ecuador, Mexico, or even Argentina by “exporting people” to the United States and having them send money back home.

Five nations in the Hemisphere now have had between 10% and 25% of their populations leave the country (see **Map 1**). The mid- and long-term consequences for those countries, of the loss of their labor forces, is disastrous; and it is being used in the United States to distort the American labor force and drive down wages nationally.

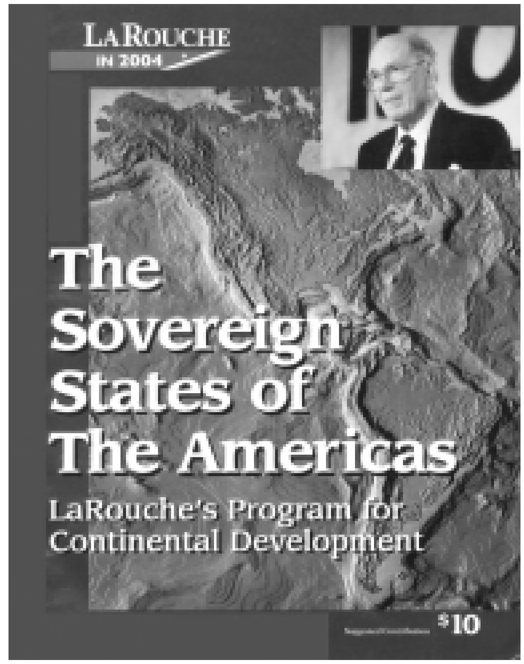
“Workers’ remittances” has become a new buzz-word in the circles of the World Bank and international financial think-tanks and Non-Governmental Organizations. The State Department’s Assistant Secretary for the Western Hemisphere, Roger Noriega, laid it on Ibero-American diplomats as new U.S. economic policy toward the Americas, in a Jan. 6 speech to the Council of the Americas in Washington, where he virtually told them to take remittances from their emigrants in the United States, and forget about other forms of aid or credit. And the next day, Jan. 7, President George W. Bush proposed a new U.S.-Mexico immigration policy which would allow undocumented immigrants to be *legal to work* in the United States for one or two three-year periods, without offering permanent residency or citizenship; its key was a kind of indentured relationship of such “semi-legals” to their corporate employers in America.

Samuel Huntington’s new fanatical denunciation of Hispanic immigrants as America’s economic and cultural scourge, is aimed to trigger the populist “opposite face” of this bankers’ policy, which LaRouche called—in televised campaign broadcasts Feb. 26-March 1—“bringing in slave labor and calling it illegal immigration.”

Hemispheric migration is booming. The United States’ immigrant population nearly doubled from 1990-2003 (from 19 million to about 35 million immigrants), after taking 30 years to double from 1960-90; and more than 50% of that immigration is from Ibero-America nations. What has happened both North and South during this “globalization” period, is that nations’ *potential relative population density*—their economic ability to productively employ and reproduce their growing labor forces at at least the same productivity and living standard—has fallen below their actual populations. The Ibero-American nations were devastated during the 1990s—witness the steady fall in Mexico’s average and minimum wages, the IMF-guided economic implosions in Argentina, Venezuela, Ecuador, Bolivia, and so



The real economic and cultural war: between the synarchist bankers' faction which is giving big play to Samuel Huntington's new attack on Hispanic immigrants (left, in the Carnegie Endowment's Foreign Policy *magazine); and candidate Lyndon LaRouche's policy of open borders with FDR-style infrastructure and economic development spanning North and South America.*



on—driving their people to flee the disasters, to Europe and Japan, but above all to the United States. The U.S. economy at the same time, ceasing to produce and living by looting investment capital and goods from the rest of the world, could only employ these immigrants to reduce U.S. real wages.

The Remittances Boom

After the 1997-98 international markets and currency crises, net lending to the Third World countries went negative (see for example, Kathy Wolfe, "Global Lending Shuts Down," *EIR*, Nov. 16, 2001, for a summary and graphs), direct foreign aid virtually disappeared, and the international financial consensus promoted "foreign direct investment" (FDI, a.k.a. privatization sales) as the only "development capital" these countries should seek. After 2000, with foreign direct investment to Third World countries sliding, the World Bank, Inter-American Development Bank, and various NGOs and banker groups seem to have shifted again: Now their studies contrast "volatile and unreliable FDI" to "workers' remittances as an important and stable source of external development finance," to quote the chapter title of a December 2003 World Bank book. In *Foreign Policy* magazine for that same month ("Globalization At Work") and in other reports by World Bank Research, the Migration Policy Institute, and other think-tanks, there are calls for a new multinational bank remittances agreement, to handle electronic transfers of remittances "transparently" (to avoid funding of terrorism, encourage more remittances, and sign up all immigrants with bank accounts), and for removing barriers to immigration—virtually a New International Remittances Architecture. The idea, blatantly stated, will allow remaining foreign aid budgets to be eliminated, and make up for the flight of FDI.

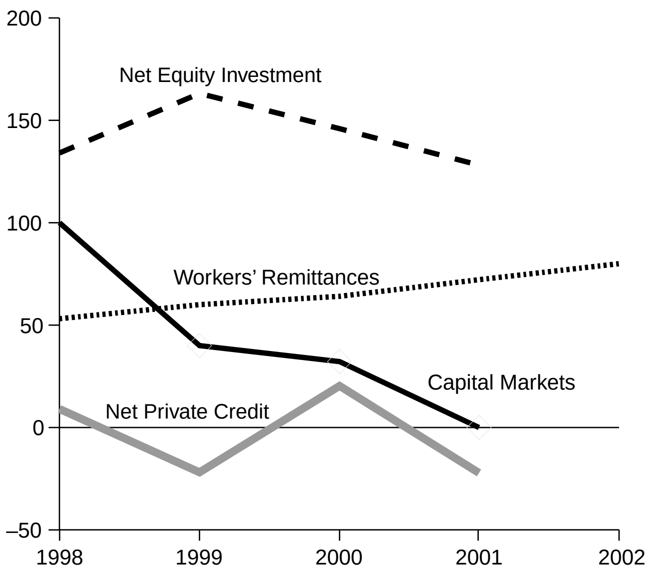
In fact, these are the new means intended for use to pay the foreign debt.

One country, Pakistan, at a July 2003 Asian economic conference, even announced the planned "export" of 200,000 more of its workers, which its Labor Minister absurdly claimed "would bring relief to 200,000 families, in the same way as the construction of four dams and two highways . . . would bring employment and relief to 500,000 families."

Growth of workers' remittances from industrial countries to Third World countries is rapid and accelerating: In 1980, it totalled $17.7 billion; in 1990, $30.6 billion; in 2001, $72.3 billion; in 2002, $80 billion; for 2003, it is guessed at, at $90 billion. The flow of these remittances exceeds foreign aid and net lending, combined, to Third World nations; it has reached about two-thirds the level of foreign direct investment annually. All other forms of income transfer to Third World countries are falling, or have gone into negative territory since 1998—including FDI which has been falling slowly (**see Figure 1**).

Remittances are predominantly a phenomenon of the U.S. economy. The United States is the source of 40% of all remittances into Third World nations, an amount estimated at $29 billion in 2001, and perhaps as much as $35 billion in 2003. But if one does not count the unpopulated Mideast desert oil kingdoms, which have had largely foreign workforces for 30-40 years (and where total remittances have actually fallen since 1995), the United States is the source of 60% of global remittances. It accounts for 60% of the growth in *all* remittances since 1990. While the immigrant population in the

FIGURE 1
Workers' Remittances and Other Flows to Third World Countries
(Billions $)



Sources: Institute for International Finance, "Capital Flows to Emerging Markets"; World Bank, *Global Development Finance;* Pew Hispanic Center; *EIR.*

United States has grown by 75% in the last ten years, the immigrant population of the European Union countries as a whole grew by only 35% in the comparable decade 1990-2000. In the United States itself, this is a post-1990 phenomenon; as of 1990, workers' remittances to Third World countries from America were less than $5 billion.

And this can be thought of as a Western Hemispheric phenomenon: 52% of all immigrants in the United States are from Ibero-America and the Caribbean; 30% are from Mexico alone. Remittances to these countries in 2000-02 zoomed from $15 billion to $23 billion, and may have hit $30 billion in 2003 (according to a Pew Hispanic Center report of December 2003), with $20 billion of that coming from the United States. Estimates by the International Monetary Fund and Inter-American Development Bank are significantly higher. The IADB projects remittances to the nations of Ibero-America and the Caribbean for the decade 2001-10, will easily top $300 billion. With the single well-known exception of the Philippines (which has 20% of its electorate living abroad), nothing like that growth characterizes other areas of *emigration* than Ibero-America and the Caribbean, or other countries of *immigration* than the United States. Mexico's population received $10 billion in remittances in 2003, most in the world by far except for India's equal amount, which has ten times Mexico's population.

Populations Get 'Hooked'

In 2003, according to estimates by the Pew Hispanic Center in December 2003, some 6 million regular remittance senders in the United States sent more than $20 billion ($3,500 annually, each!) to: 19% of all Mexican adults; 23% of all adults in Central America, including 28% of all Salvadorans, 24% of all Guatemalans, and 16% of all Hondurans; and 14% of all Ecuadorans. They sent it to everybody: In Mexico, for example, there were no statistically significant differences between the remittance receivers and Mexico's general population, by age, income bracket, education, or region of residence in Mexico.

The Pew study found that the *lower* the immigrant's income, and the more recent the arrival in the United States, the more likely he or she was to be regularly sending remittances to his or her native country. About 42% of all Hispanic immigrants are sending remittances, but more than 50% of those who have been here for a decade or less.

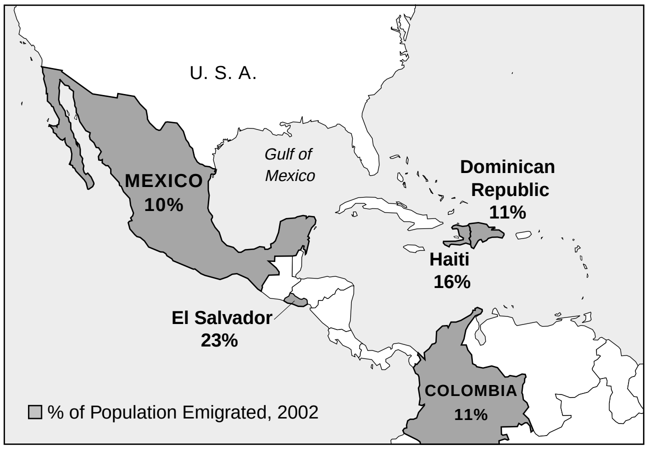
These "people-to-people" money transfers are extolled by the World Bank and many think-tanks as if a pure and shining prototype of "development aid" had been discovered in a homespun farmer's shack: No corrupt governments involved; no costly bureaucracies; rapid, reliable flows of money; etc., etc. "Not only an escape valve, but a fuel pump" to Third World economies, waxed one. "A new form of private investment," enthused a World Bank Research report. But in fact, the in-depth studies by the Migration Policy Institute and Pew Center, based on large numbers of interviews with remitters to South America from the United States, indicate that more than half of the remittance funds received are spent on bare necessities of food, clothing, rent, etc; and in less than a third of the cases is any of it saved or invested in businesses in Mexico or Central America.

This money does not create jobs in the receiving countries. It costs them tax revenue. One study of India, at Harvard, estimated that India may have lost one-third of its potential Fiscal 2001 tax revenue due to IT and other skilled workers' having emigrated.

The *Foreign Policy* December 2003 article claimed that "a 10% increase in the share of international remittances in a country's GDP will lead to a 1.6% decline in the share of people living in poverty." There are 20 Third World countries where remittances have reached the ballpark of 10-35% of GDP. Even these, the most impoverished nations or former nations in the world, have supposedly reduced their poverty thereby, by 5%!

The remittances and their use, have in fact almost exactly the character and dimensions of international disaster aid, not development aid. In Ecuador and El Salvador, they are literally that, as after man-made and natural disasters in the late 1990s, workers from these countries rushed to try to reach the United States and send back money. In general, remittances are precisely disaster aid—for the economic disasters which IMF globalization has spread across Ibero-America

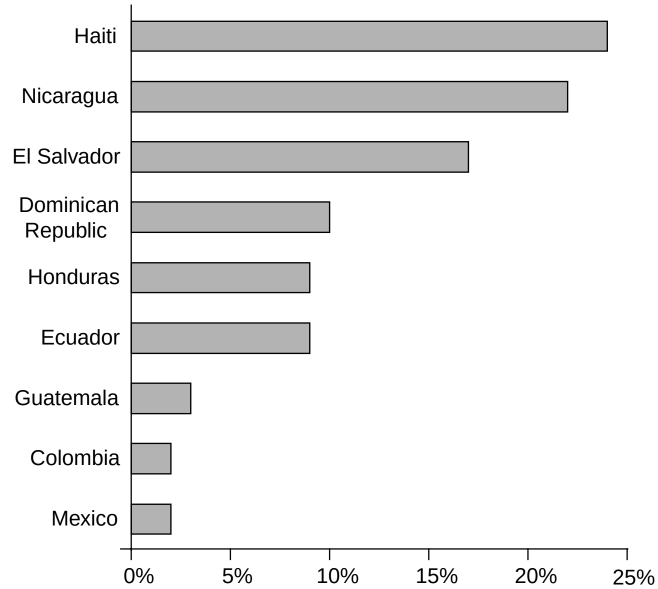
'Export of People' from Mexico and Central America



Sources: International Monetary Fund; *EIR.*

FIGURE 2

Remittances As % of GDP



Sources: International Monetary Fund; *EIR.*

since 1990 in particular.

But one thing they do, is create a lure to suck emigrants out at a faster rate. The Pew interviews in Mexico indicated that 28% of those Mexican adults receiving remittances from the United States, are thinking about going there themselves; and this is now true of 19% of *all* adults in Mexico. Thus, potentially, not 10 million as now, but 20 million or more of Mexico's 100 million people, in the United States; a vanishing nation! Pew Center director Roberto Suro is quoted in the report, "The remittances are clearly becoming central to the social and economic stability of many countries" in Ibero-America. "Stability" is a strange word to apply to countries whose populations are being sucked into the United States at such a rate, to earn money and send it back.

Not a Jobless, But a Job-Recycling Recovery

The fact that immigration to, and remittances volume from, the United States did not slow down during the period July 2000-July 2003 when the U.S. economy and job market tanked—rather, both sped up further—points to the economic disaster and desperation driving immigrants from Mexico, Central and South America.

The U.S. first-generation immigrant population is now about 11.6% of the total American population. It was 7.9% in 1990. By very inexact estimates—because of 8-10 million illegals—between the second quarter 2000 and second quarter 2002, nearly 60% of the total population growth of the United States consisted of immigrants arriving during that time, who totalled 2.9 million, according to the Center for Immigration Studies. This was an apparent *increase* from about 50%, or so, of population growth being immigrants in the 1990s. These 2.9 million immigrants had about 80,000 children in those two years, well below the world average birth rate—one indication of a large proportion of single adults immigrating. About 1.5 million of these 2000-02 immigrants, or 30% of total population growth, were Hispanics from the Hemisphere.

Not surprisingly, the proportion of first-generation immigrants in the U.S. labor force has become significantly higher than in the population: 14.6%. Their contribution to the *annual growth* of the U.S. labor force is about 50%. Again, more than half of that is accounted for by Hispanic immigrants.

A Center for Immigration Studies November 2003 report stated: "Since 2000, 2.4 million new immigrant *workers* (legal and illegal) have arrived in the United States—almost exactly the same as the 2.2 million who arrived during the three years prior to 2000, despite dramatic change in economic conditions" [emphasis added]. And despite a dramatic increase in the unemployment rate among immigrants in the United States, from 4.1 to 7.9%, during 2000-02.

What happened? The Center for Immigration Studies reported that during 2000-03, the *net increase* in employment of first-generation immigrants—legal and illegal—was approximately 1.7 million jobs (even as unemployment among them shot up because so many were arriving); while net employment of all other Americans *fell* by 800,000. The total U.S. labor force would have grown "naturally" during those three years by about 4 million people. So there was, overall, a massive loss of employment, especially manufacturing and other *productive* employment, as all Americans know. But during those intervals when some net jobs were created (first

TABLE 1
U.S. Comparative Wages, 4th Quarter 2003

Labor Force Group	Mean Weekly Wage	Median Weekly Wage
Whites	$729	$600
Blacks	$571	$480
Hispanics	$494	$400
Others	$706	$560
All Workers	$680	$550

Source: Pew Hispanic Center.

and second quarters 2000; third and fourth quarters 2003) employment was recycled from non-immigrant to immigrant workers. Hispanic immigrants, for example, lost hundreds of thousands of jobs in manufacturing, just as all workers did. But in the areas of net job growth—most notably construction, and wholesale/retail sales employment—these immigrants took jobs where other workers lost them. As they did, the mean and median wage levels in those jobs fell.

Hispanic immigrants in the United States found, net, 400,000 jobs even during 2001-02, when big net job losses swept the whole U.S. labor force; but they found 700,000 net jobs in 2003 alone. *All other workers in the economy* found only 371,000 net jobs in 2003, about half the number taken by Hispanic immigrants alone. And this happened while Hispanic American citizens born in the United States suffered a net loss of jobs across the board.

These figures are extraordinary, indicating a sharp increase in the rate of Schachtian (i.e., fascist) "recycling" of employment. Hispanic immigrant workers are no more than 7.5% of the U.S. labor force; yet during 2003, they accounted for 60% of the new employment. And 60% of these net new jobs found by Hispanic immigrants in 2003 (nearly 400,000) were in construction; that is, in the fatally doomed American real-estate asset-price and mortgage bubble.

Hispanic immigrants who have entered the United States since 2000, are less than 2% of the U.S. labor force; yet *they* accounted for 50% of the new net employment in the U.S. economy in 2003!

Driving the Mean Wage Down

Table 1 points to the ugly truth of this Schachtian recycling in the American labor force. The sudden acquisition during 2003 of 550,000 new jobs—half of all net "job creation" that year—solely by the 2 million or so Hispanic immigrants who had moved to this country since 2000—less than 2% of the labor force—and aside from whatever other jobs those same immigrants had already had, is directly connected to the fact that these immigrants' mean wages are 25-30% lower than the national average, 15-35% lower than any other group in the labor force.

Worse, their mean real wages are falling steadily, while wages nationally, essentially stagnate. From the first quarter 2002 to the fourth quarter 2003—over those two years—the mean weekly wage for Hispanic immigrant workers fell from $507 to $494; and their median wage fell from $406 to $400. During 2003 alone (fourth quarter 2002 to fourth quarter 2003), the scissors cut was sharper: Real weekly mean wages rose by a paltry 0.5% for all workers, but fell by 2.5% for Hispanic immigrants; real weekly median wages rose by the same 0.5% for all workers, but fell by 1.75% for Hispanics.

Construction employment accounted for about 60% of these net new Hispanic immigrant jobs in 2003. In turn, the Hispanic immigrants accounted for 65% of the growth of the construction trades labor force in 2003, and 59% of its growth over 1997-2003. The reason is that an Hispanic construction worker is paid far less than a white construction worker. As of the fourth quarter of 2002, the average weekly wage of a white construction worker was $725.51; that of an Hispanic construction worker was $514.48—about 30% less, a huge differential.

The Pew Center's Roberto Suro, in releasing their indices of this recycling on Feb. 24, put it "neutrally": "The Hispanic labor force is well-matched to the emerging job opportunities, and Latinos are holding jobs that are surviving the ongoing realignments." The *Washington Post* on Feb. 24, noting the Pew report's findings, quoted a different falsehood, the old chestnut, "They take the jobs no one else wants." Michael Carliner, an "economist" vice president of the National Association of Home Builders, told the *Post:* "We wouldn't have been able to build all the houses we have in the last couple years without that inflow of Hispanic workers. It's been a key factor in dealing with what were substantial labor shortages."[!] Carliner did not say just when, in the job-starved American labor force, these construction labor shortages had developed. Another construction company official was quoted, "Where the workers are now, who used to have these jobs, I have no idea."

Samuel Huntington's "José, Can You See?" attack intends to generate a populist response going back to the right-wing "Paddock Plan" of the early 1980s, whose slogan was "Close the borders and let them scream." Those behind the "Paddock Plan" included international bankers who were enemies of then-Mexican President José López Portillo's policy of oil-for-technology industrial development. After López Portillo left office in 1982, they broke Mexico's expanding economy on the wheel of debt and devaluation—and found that rather than closing the border, they triggered, by the 1990s, the export of millions of Mexicans and Central Americans across it into the United States.

Today, the policy of these bankers, and the consumer-economy multinationals of the U.S. Wal-Mart economy, is precisely characterized by LaRouche's charge, "We bring in slave labor, and we call it illegal immigration." The real choice doesn't involve Huntington's raving: It is between this bankers' policy for a collapse; and LaRouche's *Sovereign States of the Americas* policy.